

**CENIKOR FOUNDATION**  
**FINANCIAL STATEMENTS**  
**AND OMB CIRCULAR A-133 REPORTS**  
**JUNE 30, 2014 AND 2013**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Cenikor Foundation

We have audited the accompanying financial statements of Cenikor Foundation (a non-profit Texas corporation), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *the State of Texas Single Audit Circular*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cenikor Foundation as of June 30, 2014 and 2013, and the changes in its net assets and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States.

## Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and non-federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State of Texas Single Audit Circular* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2014, on our consideration of Cenikor Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cenikor Foundation's internal control over financial reporting and compliance.

*Hoppe & Pomeroy Company, P.C.*

Houston, Texas  
November 15, 2014

**CENIKOR FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2014 AND 2013**

<b>ASSETS</b>	<b>2014</b>	<b>2013</b>
Cash and cash equivalents	\$ 4,998,782	\$ 3,418,566
Accounts receivable, net	1,189,134	1,266,134
Grants receivable	75,401	283,445
Pledges receivable	-	10,000
Certificates of deposit	464,435	362,810
Property and equipment, net	8,837,034	9,338,652
Other assets, net	<u>96,595</u>	<u>76,440</u>
 TOTAL ASSETS	 <u>\$ 15,661,381</u>	 <u>\$ 14,756,047</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued liabilities	\$ 1,315,602	\$ 1,489,205
Note payable	<u>1,240,118</u>	<u>1,024,881</u>
 TOTAL LIABILITIES	 <u>2,555,720</u>	 <u>2,514,086</u>
Unrestricted net assets		
Undesignated	11,940,183	11,042,629
Board designated	1,016,265	1,013,107
Temporarily restricted net assets	119,998	157,010
Permanently restricted net assets	<u>29,215</u>	<u>29,215</u>
 TOTAL NET ASSETS	 <u>13,105,661</u>	 <u>12,241,961</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 15,661,381</u>	 <u>\$ 14,756,047</u>

**CENIKOR FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenues:				
Public support:				
Direct government aid	\$ 809,748	\$ -	\$ -	\$ 809,748
Special events revenue	218,095	-	-	218,095
Contributions	300,657	152,000	-	452,657
In-kind contributions	<u>1,553,013</u>	<u>-</u>	<u>-</u>	<u>1,553,013</u>
Total public support	2,881,513	152,000	-	3,033,513
Revenues:				
Vocational services	7,051,321	-	-	7,051,321
Private pay	143,292	-	-	143,292
Medicaid and private insurance	1,338,418	-	-	1,338,418
Grant and contract revenue	3,649,476	-	-	3,649,476
Interview and admission fees	305,729	-	-	305,729
Re-entry rent	329,549	-	-	329,549
Interest income	4,363	-	-	4,363
Loss on disposal of property and equipment	(4,021)	-	-	(4,021)
Other income, net	293,777	-	-	293,777
Net assets released from restrictions	<u>189,012</u>	<u>(189,012)</u>	<u>-</u>	<u>-</u>
Total public support and revenues	<u>16,182,429</u>	<u>(37,012)</u>	<u>-</u>	<u>16,145,417</u>
Expenses:				
Program services	12,376,029	-	-	12,376,029
General and administrative	2,318,085	-	-	2,318,085
Fundraising	<u>587,603</u>	<u>-</u>	<u>-</u>	<u>587,603</u>
Total expenses	<u>15,281,717</u>	<u>-</u>	<u>-</u>	<u>15,281,717</u>
Change in net assets	900,712	(37,012)	-	863,700
Net Assets, beginning of year	<u>12,055,736</u>	<u>157,010</u>	<u>29,215</u>	<u>12,241,961</u>
Net Assets, end of year	<u>\$ 12,956,448</u>	<u>\$ 119,998</u>	<u>\$ 29,215</u>	<u>\$ 13,105,661</u>

See accompanying notes.

**CENIKOR FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenues:				
Public support:				
Direct government aid	\$ 886,616	\$ -	\$ -	\$ 886,616
Special events revenue	194,397	-	-	194,397
Contributions	422,022	309,288	24,215	755,525
In-kind contributions	<u>1,682,583</u>	<u>-</u>	<u>-</u>	<u>1,682,583</u>
Total public support	3,185,618	309,288	24,215	3,519,121
Revenues:				
Vocational services	6,774,100	-	-	6,774,100
Private pay	81,400	-	-	81,400
Medicaid and private insurance	1,401,027	-	-	1,401,027
Grant and contract revenue	3,082,143	-	-	3,082,143
Interview and admission fees	265,723	-	-	265,723
Re-entry rent	250,383	-	-	250,383
Interest income	5,592	-	-	5,592
Loss on disposal of property and equipment	(6,971)	-	-	(6,971)
Other income, net	81,199	-	-	81,199
Net assets released from restrictions	<u>271,713</u>	<u>(271,713)</u>	<u>-</u>	<u>-</u>
Total public support and revenues	<u>15,391,927</u>	<u>37,575</u>	<u>24,215</u>	<u>15,453,717</u>
Expenses:				
Program services	12,514,291	-	-	12,514,291
General and administrative	1,813,132	-	-	1,813,132
Fundraising	<u>629,434</u>	<u>-</u>	<u>-</u>	<u>629,434</u>
Total expenses	<u>14,956,857</u>	<u>-</u>	<u>-</u>	<u>14,956,857</u>
Change in net assets	435,070	37,575	24,215	496,860
Net Assets, beginning of year	<u>11,620,666</u>	<u>119,435</u>	<u>5,000</u>	<u>11,745,101</u>
Net Assets, end of year	<u>\$ 12,055,736</u>	<u>\$ 157,010</u>	<u>\$ 29,215</u>	<u>\$ 12,241,961</u>

See accompanying notes.

**CENIKOR FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2014**

	Program Services	General and Administrative	Fund Raising	Total
Direct Resident Expenses:				
Food	\$ 1,093,602	\$ -	\$ -	\$ 1,093,602
Clothing and sundry	24,643	-	-	24,643
Education	26,524	-	-	26,524
Commissary	203,026	-	-	203,026
Lab analysis	31,070	-	-	31,070
Facility licensure	3,727	-	-	3,727
Residential travel	3,915	-	-	3,915
Donated resident merchandise	1,374,666	-	-	1,374,666
Other	49,687	-	-	49,687
Total Direct Resident Expenses	<u>2,810,860</u>	<u>-</u>	<u>-</u>	<u>2,810,860</u>
Other Expenses				
Accounting	9,556	23,719	-	33,275
Advertising	-	28,132	-	28,132
Bad debt expense	519,734	653	-	520,387
Computer support	92,446	40,832	6,281	139,559
Employee benefits	346,709	93,592	20,665	460,966
Household supplies	38,631	-	-	38,631
Human resources	9,626	30,280	-	39,906
Vocational services supplies	31,411	-	-	31,411
Lawn care supplies	16,124	-	-	16,124
Insurance	735,253	49,811	47,511	832,575
Interest	42,097	1,671	-	43,768
Kitchen supplies	62,129	-	-	62,129
Medical	152,303	-	-	152,303
Office expense	35,707	12,720	-	48,427
Parking and fuel	221,638	42,210	16,186	280,034
Payroll taxes	382,765	95,405	21,651	499,821
Pension expense	191,479	75,582	12,835	279,896
Postage expense	9,782	4,257	-	14,039
Professional fees	178,307	214,433	585	393,325
Professional training	28,881	50,982	4,134	83,997
Property taxes	160	12	-	172
Public relations	18,032	57,374	-	75,406
Rental and lease	78,820	68,240	6,140	153,200
Repairs and maintenance	238,962	1,261	-	240,223
Salaries	4,412,889	1,238,310	259,599	5,910,798
Relocation allowance	-	7,073	-	7,073
Shipping	2,475	6,529	-	9,004
Telephone	67,662	11,576	3,728	82,966
Employee meals and recognition	5,887	5,945	-	11,832
Travel, board and staff	19,731	62,499	4,525	86,755
Travel, admissions and outreach	24,995	-	-	24,995
Utilities	536,016	29,113	35,905	601,034
Vehicle maintenance	73,173	-	-	73,173
Direct cost of event services	-	-	71,527	71,527
Donated services and merchandise	154,529	-	21,234	175,763
Other expenses	9,330	4,985	-	14,315
Depreciation and amortization	817,930	60,889	55,097	933,916
Total Other Expenses	<u>9,565,169</u>	<u>2,318,085</u>	<u>587,603</u>	<u>12,470,857</u>
Total Functional Expenses	<u>\$ 12,376,029</u>	<u>\$ 2,318,085</u>	<u>\$ 587,603</u>	<u>\$ 15,281,717</u>

See accompanying notes.



**CENIKOR FOUNDATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Program Services	General and Administrative	Fund Raising	Total
Direct Resident Expenses:				
Food	\$ 1,184,153	\$ -	\$ -	\$ 1,184,153
Clothing and sundry	24,572	-	-	24,572
Education	33,353	-	-	33,353
Commissary	202,269	-	-	202,269
Lab analysis	29,559	-	-	29,559
Facility licensure	19,956	-	-	19,956
Residential travel	4,907	-	-	4,907
Donated resident merchandise	1,458,843	-	-	1,458,843
Other	61,455	-	-	61,455
Total Direct Resident Expenses	3,019,067	-	-	3,019,067
Other Expenses				
Accounting	6,690	25,349	-	32,039
Advertising	1,680	8,081	-	9,761
Bad debt expense	326,274	1,452	-	327,726
Computer support	90,399	31,071	7,485	128,955
Employee benefits	359,172	72,253	24,574	455,999
Household supplies	48,438	-	-	48,438
Human resources	12,454	29,197	-	41,651
Vocational services supplies	34,577	-	-	34,577
Lawn care supplies	11,794	-	-	11,794
Insurance	678,498	48,626	44,441	771,565
Interest	32,106	-	-	32,106
Kitchen supplies	64,708	-	-	64,708
Medical	236,681	-	-	236,681
Office expense	42,905	14,347	-	57,252
Parking and fuel	266,416	25,639	18,982	311,037
Payroll taxes	404,034	36,599	19,305	459,938
Pension expense	167,373	58,012	16,017	241,402
Postage expense	11,253	3,537	-	14,790
Professional fees	135,417	178,127	-	313,544
Professional training	48,103	59,037	9,840	116,980
Property taxes	1,017	23	-	1,040
Public relations	22,250	51,427	-	73,677
Rental and lease	71,006	52,943	8,824	132,773
Repairs and maintenance	248,506	2,181	-	250,687
Salaries	4,599,360	929,385	299,456	5,828,201
Relocation allowance	-	5,525	-	5,525
Shipping	4,266	5,425	-	9,691
Telephone	75,427	11,332	4,522	91,281
Employee meals and recognition	7,474	6,425	-	13,899
Travel, board and staff	24,027	62,936	8,009	94,972
Travel, admissions and outreach	11,608	-	-	11,608
Utilities	492,713	30,244	32,006	554,963
Vehicle maintenance	81,580	-	-	81,580
Direct cost of event services	-	-	51,284	51,284
Donated services and merchandise	138,170	-	33,606	171,776
Other expenses	4,123	2,057	-	6,180
Depreciation and amortization	734,725	61,902	51,083	847,710
Total Other Expenses	9,495,224	1,813,132	629,434	11,937,790
Total Functional Expenses	\$ 12,514,291	\$ 1,813,132	\$ 629,434	\$ 14,956,857

See accompanying notes.

**CENIKOR FOUNDATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 863,700	\$ 496,860
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Noncash net assets of acquired organizations	-	10,162
Depreciation and amortization	933,916	847,710
Loss on disposal of property and equipment	4,021	6,971
Change in operating assets and liabilities:		
Accounts receivable, net	77,000	(306,931)
Grants receivable	208,044	4,555
Pledges receivable	10,000	25,000
Other assets	(27,548)	(38,924)
Accounts payable and accrued liabilities	<u>(173,603)</u>	<u>118,451</u>
Total adjustments	<u>1,031,830</u>	<u>666,994</u>
Net cash provided by operating activities	<u>1,895,530</u>	<u>1,163,854</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net change in certificates of deposit	(101,625)	(1,708)
Purchase of property and equipment	(448,576)	(1,264,754)
Proceeds from sale of property and equipment	<u>19,650</u>	<u>9,765</u>
Net cash used by investing activities	<u>(530,551)</u>	<u>(1,256,697)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowing on note payable	<u>215,237</u>	<u>318,557</u>
Net cash provided by financing activities	<u>215,237</u>	<u>318,557</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,580,216	225,714
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>3,418,566</u>	<u>3,192,852</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,998,782</u>	<u>\$ 3,418,566</u>
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES:		
Interest Paid	<u>\$ 43,768</u>	<u>\$ 32,106</u>

NOTE A      DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cenikor Foundation (Cenikor) is a nonprofit, tax exempt corporation incorporated on July 30, 1968, for the purpose of providing services to individuals, organizations and the community at large in the areas of treatment, rehabilitation, education, vocational training, and outreach programs related to the problems of chemical dependency. Rehabilitation services and fundraising activities are conducted from Cenikor's facilities in Houston, Waco and Fort Worth, Texas, and Baton Rouge, Lake Charles, and Jennings, Louisiana. The Lake Charles and Jennings programs were closed at June 30, 2014, as more fully disclosed in Note J. Cenikor also operated an in-prison program for the State of Texas at Dayton, Texas, until August 2012.

All program participants at Cenikor's adult long-term residential facilities are required to live at the facility, and are provided food, housing, therapy, and vocational rehabilitation. Vocational rehabilitation includes providing industry services to various businesses and individuals in each city in which Cenikor operates one of these facilities. These services are performed by "first phase" resident members. During the second phase of the Cenikor program, participants continue residence at the facility, work at an outside job, and pay a monthly room and board fee.

In addition to the long-term facilities, Cenikor has other types of programs at other locations, including detoxification, short-term residential, outpatient, and residential for adolescents.

Concentration of Credit and Market Risk - Financial instruments which subject Cenikor to concentrations of credit risk consist principally of cash and receivables. Cenikor places its cash with financial institutions it believes to be creditworthy. Deposits may exceed Federal Deposit Insurance provided on such deposits; however, these deposits typically may be redeemed upon demand and therefore, bear minimal risk. In monitoring this credit risk, Cenikor periodically evaluates the stability of the financial institution.

Use of Estimates - Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States (GAAP). Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and Cash Equivalents - For purposes of the statement of cash flows, Cenikor considers all unrestricted, highly liquid investments with a maturity of three months or less to be cash equivalents.

Accounts Receivable - Accounts receivable consists of vocational services fees and is stated at the amount billed to customers. Cenikor provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. At June 30, 2014 and 2013, the allowance for doubtful accounts amounted to \$22,991 and \$20,649, respectively. Accounts receivable is ordinarily due 30 days after the issuance of the invoice.

Accounts receivable also includes insurance receivables which are charged for Medicaid-eligible and privately insured clients in the Lake Charles, Odyssey House (Houston adolescents) and Waco locations. As of June 30, 2014 and 2013, the allowance for doubtful accounts is \$714,515 and \$294,735, respectively.

NOTE A      DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

Delinquent receivables are written off, based on individual credit evaluation and specific circumstances of the customer and when all reasonable collection efforts have been made on insurance claims.

Grants Receivables - Grants receivable consist of government grants and are considered to be fully collectible; accordingly, no allowance for doubtful accounts is required.

Pledges Receivables - Generally, no collateral or other security is required to support receivables. An allowance for doubtful accounts is established and accounts written off as needed based upon factors surrounding the credit risk of specific contributors. At June 30, 2013, all pledges were from a single donor and were due within one year. There were no pledges receivable at June 30, 2014.

Certificates of Deposit - Certificates of deposit have original maturities ranging between three months to one year and are reported at cost.

Property and Equipment - Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at fair value at the date of donation. Buildings and equipment are depreciated using the straight-line method based on the estimated useful lives of the assets, generally as follows:

Buildings and improvements	5-30 years
Equipment and furniture	3-5 years
Vehicles	3 years

Financial Statement Presentation - Information regarding the financial position and activities of Cenikor is reported in three categories as follows:

Unrestricted Net Assets - represent expendable funds available for operations which are not otherwise limited by donor restrictions. Included in unrestricted net assets are funds designated by the Board of Directors for future expansion.

Temporarily Restricted Net Assets - consist of contributed funds subject to donor or grantor imposed restrictions related to a specific purpose or requiring a specific passage of time before the funds can be spent.

Permanently Restricted Net Assets - are subject to irrevocable donor restrictions requiring the assets be maintained in perpetuity for the purpose of generating investment income to fund current operations.

Contributions - Contributions are recognized when the donor makes a promise to give to Cenikor that is, in substance, unconditional. Contributions that are restricted by the donor for future periods or a specific purpose are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Permanently restricted contributions consist of amounts to be held perpetually, based on donor-imposed requirements.

NOTE A      DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

Unconditional promises to give that are expected to be collected within one year are recorded at their realizable value. Unconditional promises to give that are expected to be collected after one year or more are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included as contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Cenikor reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Cenikor reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Revenue Recognition - Cenikor records revenues from vocational services, outpatient services, Medicaid and private insurance, and other services when earned as the services are delivered. Cenikor invoices on a daily, weekly or monthly basis, as appropriate. Insurance revenues are recorded net of contractual allowances.

Gifts in Kind - Donations are recorded as in-kind contributions at the estimated fair value of the gift. The fair value of food is based on pre-established standards. The contribution value and related program expense for donations of clothing, furniture and other goods are computed using standards set by management and which approximate the fair value for second-hand clothing and other items.

Functional Expenses - Functional expenses which cannot readily be related to a specific program are charged to the various programs based upon hours worked, square footage, number of program staff or other reasonable methods for allocating Cenikor's multiple functional expenditures.

Income Taxes - Cenikor is a not-for-profit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. However, Cenikor is subject to taxes on unrelated business income. No unrelated business income tax was paid in 2014 and 2013.

Cenikor believes that all significant tax positions utilized by Cenikor will more likely than not be sustained upon examination. As of June 30, 2014, the tax years that remain subject to examination by the major tax jurisdictions under the statute of limitations are from the fiscal year 2011 forward (with limited exceptions). Tax penalties and interest, if any, would be accrued as incurred and would be classified as general and administrative expense in the statement of activities.

**CENIKOR FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2014 AND 2013**

**NOTE B      ACCOUNTS RECEIVABLE, NET**

Accounts receivable, net consists of the following at June 30:

	<u>2014</u>	<u>2013</u>
Insurance receivables	\$ 1,035,663	\$ 733,153
Trade receivables, vocational services	752,741	779,480
Accrued revenues	120,235	43,480
Employee receivables	4,825	10,289
Other	<u>13,176</u>	<u>15,116</u>
	1,926,640	1,581,518
Allowance for doubtful accounts	<u>(737,506)</u>	<u>(315,384)</u>
	<u>\$ 1,189,134</u>	<u>\$ 1,266,134</u>

**NOTE C      PROPERTY AND EQUIPMENT**

The cost and accumulated depreciation of property and equipment were as follows at June 30:

	<u>2014</u>	<u>2013</u>
Land	\$ 1,509,645	\$ 1,509,645
Buildings and improvements	13,519,090	13,250,161
Equipment and furniture	2,084,746	1,954,880
Vehicles	801,216	901,450
Construction in progress	<u>7,165</u>	<u>163,570</u>
	17,921,862	17,779,706
Less accumulated depreciation	<u>(9,084,828)</u>	<u>(8,441,054)</u>
	<u>\$ 8,837,034</u>	<u>\$ 9,338,652</u>

Depreciation expense amounted to \$926,523 and \$829,991 for the years ended June 30, 2014 and 2013, respectively. During fiscal 2014, Cenikor disposed of property and equipment with an original cost of \$306,423 and accumulated depreciation of \$282,752. During fiscal 2013, Cenikor disposed of property and equipment with an original cost of \$302,508 and accumulated depreciation of \$285,772 (See Note K).

**NOTE D RETIREMENT PLANS**

Cenikor has a defined contribution pension plan covering substantially all employees. Cenikor makes annual contributions to the plan at the discretion of Cenikor's Board of Directors. For the years ended June 30, 2014 and 2013, Cenikor's contributions to the plan amounted to \$279,896 and \$241,402, respectively.

**NOTE E NOTE PAYABLE AND LINE OF CREDIT**

On November 28, 2011, Cenikor obtained a revolving note payable with a bank which provided for maximum borrowings of \$3,000,000 that matured on November 28, 2013 and was renewed through November 28, 2019. Interest at prime plus 0.5% is due monthly (3.75% at June 30, 2014) continuing until November 28, 2014 when the then outstanding principal and accrued interest will convert to a term note with monthly principal and interest payments starting December 28, 2014 through November 28, 2019. The note is collateralized by land and building with a net book value of \$479,530 and an appraised value of \$3,370,000.

On September 30, 2011, Cenikor obtained an unsecured line of credit with a bank that provided for maximum borrowing of \$500,000 with interest at prime plus .25% for a 12-month term. The line of credit has been renewed annually and matures September 30, 2015. There were no borrowings during 2014 or 2013 and no balance outstanding as of June 30, 2014 or 2013.

**NOTE F RESTRICTIONS OF NET ASSETS**

Temporarily restricted net assets consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
Baton Rouge	\$ 73,764	\$ 113,569
Deer Park	20,470	30,676
Corporate	10,781	10,781
Odyssey House	4,983	1,759
Fort Worth	<u>10,000</u>	<u>225</u>
	<u>\$ 119,998</u>	<u>\$ 157,010</u>

Permanently restricted net assets for a permanent endowment fund consist of the following at June 30:

	<u>2014</u>	<u>2013</u>
Odyssey House	\$ 5,000	\$ 5,000
Waco	<u>24,215</u>	<u>24,215</u>
	<u>\$ 29,215</u>	<u>\$ 29,215</u>

**NOTE G RELEASE OF RESTRICTIONS ON NET ASSETS**

In 2014 and 2013, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors as follows:

	<u>2014</u>	<u>2013</u>
Baton Rouge	\$ 61,804	\$ 87,826
Deer Park	80,206	71,133
Corporate	-	1,452
Odyssey House	35,777	35,853
Fort Worth	225	73,449
Waco	<u>11,000</u>	<u>2,000</u>
	<u>\$ 189,012</u>	<u>\$ 271,713</u>

**NOTE H COMMITMENTS**

Cenikor leases office space, office equipment and parking spaces under operating leases with future commitments as follows:

2015	\$ 176,934
2016	191,414
2017	202,043
2018	151,711
2019	<u>31,460</u>
	<u>\$ 753,562</u>

Rent expense amounted to \$153,200 and \$132,773 for 2014 and 2013, respectively.

**NOTE I CONTINGENCIES**

Amounts received from government and other grants require the fulfillment of certain conditions as set forth in the grant contracts. Cenikor intends to fulfill the conditions of all grants, recognizing that failure to fulfill the conditions could result in the return of the funds to grantors. Amounts received or receivable from grantor agencies are subject to audit and adjustment by the grantor agencies. Any disallowed claims, including amounts already collected, could become a liability of Cenikor. In management's opinion, disallowed claims, if any, would not have a material adverse effect on Cenikor's financial position or results of operations.



**NOTE J            TERMINATION OF CONTRACTS AND CLOSURE OF PROGRAMS**

The contract between the State of Louisiana Department of Health and Hospitals and Cenikor in Lake Charles, Louisiana terminated at June 30, 2014 and was not renewed. For the year ending June 30, 2014, total revenues from all sources for this location was approximately \$1.4 million and net income before corporate overhead was approximately \$137,000.

Additionally, the Jennings, Louisiana program terminated June 30, 2014 due to low volume of clients. Revenues from all sources for the Jennings program were approximately \$145,000 and net income before corporate overhead was approximately \$12,000.

**NOTE K            SUBSEQUENT EVENTS**

Cenikor has evaluated subsequent events through November 15, 2014, the date the financial statements were available to be issued. Significant subsequent events are as follows:

Effective July 1, 2014, Cenikor acquired the Central Texas Council on Alcoholism and Drug Abuse, a non-profit, tax-exempt substance abuse treatment center in Killeen, Texas through the donation of all of the Central Texas Council on Alcoholism and Drug Abuse's assets and liabilities, for a net contribution of \$551,522. The assets acquired and liabilities assumed were recorded at fair value at the date of acquisition. The balances at acquisition date were as follows:

Cash and cash equivalents	\$ 471,553
Accounts receivable, net	4,941
Property and equipment	26,210
Prepays and other assets	52,110
Accrued liabilities	<u>(3,292)</u>
Net assets acquired	<u>\$ 551,522</u>

Effective September 30, 2014, Cenikor sold a building and land it owned in Waco, Texas. The land with a cost of \$3,740 and the building with a cost of \$54,209 net of accumulated depreciation. Cenikor received cash proceeds of \$103,899, resulting in a gain from the sale of \$45,950.

**SINGLE AUDIT REPORTS ON EXPENDITURES OF  
FEDERAL AND NON-FEDERAL AWARDS PROGRAMS**

**CENIKOR FOUNDATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Contract or Pass-through Grantor's I.D. Number	Current Year Revenues	Current Year Expenditures
<b>Federal Awards:</b>				
U.S. Department of Health and Human Services				
Passed through State of Louisiana Department of Health and Hospitals				
Block Grants for Prevention and Treatment of Substance				
Abuse Emergency Shelter Grants Program	93.959	330-723428	\$ 25,485	\$ 25,485
Block Grants for Prevention and Treatment of Substance				
Abuse Emergency Shelter Grants Program	93.959	330-725171	<u>989,724</u>	<u>989,724</u>
			<u>1,015,209</u>	<u>1,015,209</u>
U.S. Department of Health and Human Services				
Block Grants for Prevention and Treatment of Substance Abuse				
Passed through State of Texas Department of State Health Services				
Treatment Youth Services	93.959	2013-041597	102,571	102,571
Treatment Adolescent Outpatient Services	93.959	2013-041774	453	453
Treatment Adult Specialized Female				
Outpatient/Detox/Residential Services	93.959	2013-041773	58,578	58,578
Treatment Adult Outpatient/Detox/Residential Services	93.959	2013-041857	181,397	181,397
Treatment Co-Occurring Psychiatric &				
Substance Abuse Disorder Services	93.959	2013-041689	1,911	1,911
Treatment Youth Services	93.959	2014-044552	472,385	472,385
Treatment Adolescent Outpatient Services	93.959	2014-044553	12,936	12,936
Treatment Adult Specialized Female				
Outpatient/Detox/Residential Services	93.959	2014-044320	252,586	252,586
Treatment Adult Outpatient/Detox/Residential Services	93.959	2014-044428	724,276	724,276
Treatment Co-Occurring Psychiatric &				
Substance Abuse Disorder Services	93.959	2014-044509	<u>20,136</u>	<u>20,136</u>
			<u>1,827,229</u>	<u>1,827,229</u>
U.S. Department of Health and Human Services				
Passed through State of Louisiana Department of Health and Hospitals				
Substance Abuse and Mental Health Services - Access				
to Recovery	93.275	None	9,884	9,884
State Adolescent Substance Abuse Treatment -				
Enhancement and Dissemination	93.275	1U79TI024266-01	<u>42,689</u>	<u>42,689</u>
			<u>52,573</u>	<u>52,573</u>

See accompanying notes to schedule of expenditures of federal awards.

**CENIKOR FOUNDATION**

**SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-through Grantor/ Program Title	Federal CFDA Number	Contract or Pass-through Grantor's I.D. Number	Current Year Revenues	Current Year Expenditures
U.S. Department of Health and Human Services				
Passed through Harris County Hospital District				
Healthcare for the Homeless Program	93.224	H80CS00038-12	58,000	58,000
Total U.S. Department of Health and Human Services			2,953,011	2,953,011
U.S. Department of Housing and Urban Development				
Department of Housing and Urban Development-Office				
of Community Planning and Development				
Passed through City of Fort Worth				
Community Development Block Grants/Entitlement Grants	14.218	B13MC480010	73,482	73,482
Total U.S. Department of Housing and Urban Development			73,482	73,482
<b>Total Expenditures of Federal Awards</b>			<b>3,026,493</b>	<b>3,026,493</b>
<b>Non-Federal Awards:</b>				
State of Texas Department of State Health Services				
Treatment Youth Services		2013-041597	\$ 14,457	\$ 14,457
Treatment Adolescent Outpatient Services		2013-041774	64	64
Treatment Adult Specialized Female Outpatient/Detox/Residential Services		2013-041773	9,930	9,930
Treatment Adult Outpatient/Detox/Residential Services		2013-041857	16,547	16,547
Treatment Co-Occurring Psychiatric & Substance Abuse Disorder Services		2013-041689	291	291
Treatment Youth Services		2014-044552	120,402	120,402
Treatment Adolescent Outpatient Services		2014-044553	2,656	2,656
Treatment Adult Specialized Female Outpatient/Detox/Residential Services		2014-044320	104,116	104,116
Treatment Adult Outpatient/Detox/Residential Services		2014-044428	336,580	336,580
Treatment Co-Occurring Psychiatric & Substance Abuse Disorder Services		2014-044509	5,140	5,140
Total State of Texas			610,183	610,183
Parish of East Baton Rouge				
City of Baton Rouge		140195	12,800	12,800
<b>Total Expenditures of Non-Federal Awards</b>			<b>622,983</b>	<b>622,983</b>
<b>Total Expenditures of Federal and Non-Federal Awards</b>			<b>\$3,649,476</b>	<b>\$3,649,476</b>

See accompanying notes to schedule of expenditures of federal awards.

NOTE A            BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and non-federal awards includes the federal and non-federal grant activity of Cenikor and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and *the State of Texas Single Audit Circular*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**CENIKOR FOUNDATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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**Section I - Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued:

Unqualified

Significant deficiencies or material weaknesses related to the audit of the financial statements reported?

\_\_\_\_\_ Yes        X   No

Noncompliance material to the financial statements noted?

\_\_\_\_\_ Yes        X   No

***Federal Awards***

Significant deficiencies or material weaknesses related to the internal control over major programs reported?

\_\_\_\_\_ Yes        X   No

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

\_\_\_\_\_ Yes        X   No

Identification of major programs:

**CFDA Number**

93.959

**Name of Federal Program**

Block Grants for Prevention and Treatment of Substance Abuse

Non-Federal Awards:

State of Texas Department of State Health Services

N/A

Dollar threshold used to distinguish between Type A and type B programs:

\$   300,000  

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes        X   No

**Section II - Financial Statement Findings**

None

### **Section III - Federal Award Findings and Questioned Costs**

None

### **Section IV – Schedule of Prior Year Federal Award Findings and Questioned Costs**

#### Finding 2013-01 (Block Grants for Prevention and Treatment of Substance Abuse CFDA # 93.959)

Condition: The discharge plan was not signed by the participant as required by the grant agreement due to inconsistent adherence to policy in place to ensure that the discharge plan is performed and documented in the participant's file.

Recommendation: The auditor recommended Cenikor incorporate a checklist of required documents in each participant file and implement an internal review process to verify all the proper forms are completed and included in the file.

Current status: The recommendation was adopted in November 2013.

#### Finding 2013-02 (Block Grants for Prevention and Treatment of Substance Abuse CFDA # 93.959)

Condition: The initial treatment plan assessments were performed after the five day requirement due to inconsistent adherence to policy in place to ensure that the initial treatment plan is performed within five days of admission and documented in the participant's file.

Recommendation: The auditor recommended Cenikor incorporate a checklist of required documents in each participant file and implement an internal review process to verify all the proper forms are completed and included in the file.

Current status: The recommendation was adopted in November 2013.

#### Finding 2013-03 (Block Grants for Prevention and Treatment of Substance Abuse CFDA # 93.959)

Condition: The bio psychosocial assessments were performed after the 72 hour requirement due to inconsistent adherence to policy in place to ensure that the bio psychosocial assessment is performed within 72 hours of admission and documented in the participant's file.

Recommendation: The auditor recommended Cenikor incorporate a checklist of required documents in each participant file and implement an internal review process to verify all the proper forms are completed and included in the file.

Current status: The recommendation was adopted in November 2013.

#### Finding 2013-04 (Block Grants for Prevention and Treatment of Substance Abuse CFDA # 93.959)

Condition: The physical exams were performed after the 72 hour requirement due to there being no procedures in place to ensure that the physical exam is performed within 72 hours of admission and documented in the participant's file.

Recommendation: The auditor recommended Cenikor incorporate a checklist of required documents in each participant file and implement an internal review process to verify all the proper forms are completed and included in the file.

Current status: The recommendation was adopted in November 2013.

**CENIKOR FOUNDATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014**

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Finding 2013-05 (Block Grants for Prevention and Treatment of Substance Abuse CFDA # 93.959)

Condition: The detoxification plan was performed after the 24 hour requirement due to there being no procedures in place to ensure that the detoxification plan is performed within 24 hours of admission and documented in the participant's file.

Recommendation: The auditor recommended Cenikor incorporate a checklist of required documents in each participant file and implement an internal review process to verify all the proper forms are completed and included in the file.

Current status: The recommendation was adopted in November 2013.

Finding 2013-06 (Block Grants for Prevention and Treatment of Substance Abuse CFDA # 93.959)

Condition: Detoxification participants were missing the daily records of medical status and response to treatment for the participant due to there being no procedures in place to ensure that the daily records of medical status and response to treatment are documented in the detoxification participant's file.

Recommendation: The auditor recommended Cenikor incorporate a checklist of required documents in each participant file and implement an internal review process to verify all the proper forms are completed and included in the file.

Current status: The recommendation was adopted in November 2013.

Finding 2013-07 (Block Grants for Prevention and Treatment of Substance Abuse CFDA # 93.959)

Condition: Cenikor over billed for four participants for a total of 17 days for questioned cost of \$2,246.

Recommendation: The auditor recommended discharge dates entered by counselors be reviewed by the clinical manager for accuracy and billing logs be prepared by billing clerks and reviewed by supervisors to ensure duplicate billings do not occur.

Current status: The recommendation was adopted in November 2013 and in addition an Electronic Health Record (EHR) with additional built-in controls was installed April 1, 2014. Questioned costs were deducted from billings to Texas Department of State of Health Services.





**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Cenikor Foundation

We have audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and *the State of Texas Single Audit Circular*, the financial statements of Cenikor Foundation (Cenikor), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 15, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Cenikor's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cenikor's internal control. Accordingly, we do not express an opinion on the effectiveness of Cenikor's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Cenikor's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Cenikor's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cenikor's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and *the State of Texas Single Audit Circular* in considering Cenikor's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hager & Pearson Company, P.C.*

Houston, Texas  
November 15, 2014



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Directors  
Cenikor Foundation

We have audited Cenikor Foundation's (Cenikor) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement and *the State of Texas Single Audit Circular* that could have a direct and material effect on each of Cenikor's major federal and non-federal programs for the year ended June 30, 2014. Cenikor's major federal and non-federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and non-federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Cenikor's major federal and non-federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and *the State of Texas Single Audit Circular*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal and non-federal programs occurred. An audit includes examining, on a test basis, evidence about Cenikor's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal or non-federal program. However, our audit does not provide a legal determination of Cenikor's compliance.

**Opinion on Each Major Federal and Non-Federal Program**

In our opinion, Cenikor complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal or non-federal programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

Management of Cenikor is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cenikor's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and *the State of Texas Single Audit Circular*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cenikor's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or non-federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or non-federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or non-federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

### Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and *the State of Texas Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.

*Hazen & Jensen Consulting, P.C.*

Houston, Texas  
November 15, 2014